



UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Order 96-3-27

SERVED MARCH 20, 1996

Issued by the Department of Transportation
on the 14th day of March, 1996

Essential Air Service at

PAGE, ARIZONA

under 49 U.S.C. 41731 *et seq.*

Docket 45031

**ORDER SELECTING CARRIER
AND SETTING SUBSIDY RATE**

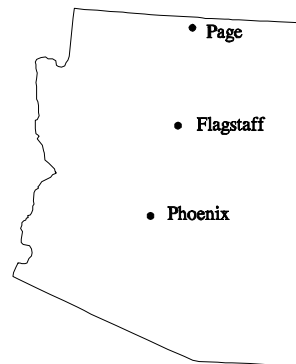
Summary

By this order we are selecting Great Lakes Aviation, Ltd., d/b/a Arizona Airways Express, to provide subsidized essential air service at Page, Arizona, at an annual subsidy rate of \$129,560.

Background

By Order 94-3-5, March 2, 1994, SkyWest Airlines, Inc., was reselected as the essential air service carrier at Page. The carrier was to provide Page with three nonstop round trips per service day between Page and Phoenix with 19-seat Metro III aircraft. Subsidy for this service was set at \$258,675 the first year and \$201,466 the second year. SkyWest's rate term expired February 29, 1996.

Congress recently reduced funding for the Essential Air Service Program. A total of



\$22.6 million was appropriated to the Department to fund subsidy-supported service during fiscal year 1996 -- a reduction of \$10.8 million from the \$33.4 million appropriated in fiscal year 1995. In order to meet the reduced funding level, the Department issued Order 95-11-28, November 17, 1995, implementing across-the-board subsidy and service reductions, effective November 27, 1995. These reductions included: 1) the elimination of subsidy for any community's service to a second hub, and 2) the elimination of subsidy for service in excess of ten round trips per week.

As set forth in Order 95-11-28, the level of SkyWest's service at Page that we could subsidize, effective November 27, 1995, was reduced to no more than ten nonstop round trips a week to Phoenix for an annualized subsidy rate of \$129,834.

On December 19, 1995, SkyWest filed a 90-day notice of its intent to suspend all of its scheduled service at Page. Since SkyWest was the only carrier providing service at Page and because its suspension of service

would leave Page without any link to the nation's air transportation system, the Department issued Order 96-1-23, January 22, 1996, prohibiting the carrier from suspending service and requiring it to continue providing service to Page through April 17, 1996, or until another carrier capable of providing reliable essential air service had replaced it. Order 96-1-23 also requested proposals from all carriers interested in providing replacement essential air service at Page. Only one carrier, Great Lakes Aviation, Ltd., filed a proposal in response to that request.

Great Lakes' Proposal

Great Lakes proposes to provide ten nonstop round trips a week to Phoenix with 19-seat Beech 1900 aircraft, for a subsidy of \$129,560 per year for a two-year period. The carrier has advised the Department that, if selected, it would like to commence its service at Page on or about April 7, 1996.

Community Comments

We advised the City of Page and the Page Airport Director of Great Lakes' proposal by telephone and requested that they submit comments. In a letter dated February 22, 1996, the community expressed its concerns about the recent reduction in the number of flights and stated that the lower service level will result in a reduction in the use of air travel by the agencies and businesses in Page that have relied on it in the past. The community noted that the lower service level made it more difficult for Page originating passengers to conduct business in Phoenix without overnight stays.

Carrier Selection

We have decided to select Great Lakes to provide essential air service at Page and will set an annual subsidy level of \$129,560 for two nonstop round trips a day, five days a week, to Phoenix for the two-year period beginning on the date the carrier commences service, and ending April 30, 1998. Great Lakes is a commuter air carrier already providing reliable subsidized essential air service at various points around the country and its subsidy request is reasonable for the level of service to be provided.

We understand the concerns expressed by the community over the recent cutbacks in funding for the essential air service program. Clearly, the two-round-trip-a-day schedule affords less flexibility for the Page traveler to conduct business in Phoenix and return home the same day, by comparison to the service level we subsidized prior to last November's cutbacks. However, as was discussed in detail in Order 95-11-28, in reducing funding for essential air service operations, it was Congress's intent that all communities participating in the program in fiscal year 1995 remain eligible for participation in fiscal year 1996. Under that guidance, the Department was compelled to implement across-the-board subsidy reductions, thus necessitating the lower service levels. At the new funding level, the Department found that the maximum service it could support for all communities is two round trips, five days a week. No community in the program, outside of Alaska, receives funding for more than ten round trips per week. We would note that Great Lakes Aviation has an outstanding record in responding to the travel demands of the essential air service cities it has served, and we encourage the carrier and the community to work together here to fashion a schedule that, given our funding constraints, best meets the needs of the community.

Carrier Fitness

49 U.S.C. 41738 (formerly Section 419(e) of the Act) requires that we find a carrier fit before we pay it subsidy to provide essential air service. As we noted above, Great Lakes is currently providing subsidized

¹ A summary of Great Lakes' subsidy calculations is set forth in Appendix B.

² As previously noted, Great Lakes has advised the Department that it will commence service at Page in early April. Since SkyWest's rate term expired on February 29, 1996, we will extend the effectiveness of SkyWest's old rate, as amended by Order 95-11-28, for the period beginning March 1, 1996, until Great Lakes' service is in place.

essential air service at various points for which the Department has already found it fit. The most recent fitness finding was Order 96-2-23, February 14, 1996. Since that time, no information has come to our attention that would cause us to question the carrier's fitness. Great Lakes remains subject to the Department's continuing fitness requirements.

Finally, we expect SkyWest and Great Lakes to make every effort to ensure an orderly transfer of service at Page, including notifying all passengers holding reservations on SkyWest's flights that the flights will be suspended, informing them of the availability of replacement service by Great Lakes, and assisting them in arranging alternate transportation.

This order is issued under authority delegated in 49 CFR 1.56(i).

ACCORDINGLY,

1. The Department selects Great Lakes Aviation, Ltd., d/b/a Arizona Airways Express, to provide essential air service at Page, Arizona, for the two-year rate term beginning on the date that the carrier commences service, and ending April 30, 1998;
2. The Department sets the final rate of compensation for Great Lakes Aviation, Ltd., d/b/a Arizona Airways Express, for the provision of essential air service at Page, Arizona, at \$129,560 per year, as described in Appendix A, payable as follows: for calendar months during which essential air service is provided, the amount of compensation shall be subject to a ceiling per week of \$2,533.00, and shall be determined by multiplying the subsidy-eligible departures and arrivals, operated during the month, assuming a 19-seat Beech 1900 aircraft, by \$126.65 per departure³;
3. Subsidy payments are subject to the availability of funds. If the Department terminates payments provided for because of insufficient appropriated funds, then, at the end of the period for which the Department does make payments, the carrier may suspend the service provided for in this order without regard to any requirement for notice of such suspension;
4. The Department extends the final rate of compensation for SkyWest Airlines, Inc., for the provision of essential air service at Page, Arizona, as set forth in Order 94-3-5, and as amended by Order 95-11-28, for the period March 1, 1996, until Great Lakes Aviation, Ltd., commences its replacement service, payable as follows:

each arrival from and departure to Phoenix = \$128.17
weekly ceiling = \$2,563.40;
5. The Department finds that Great Lakes Aviation, Ltd., continues to be fit to provide scheduled passenger air transportation as a commuter air carrier and is capable of providing reliable essential air service at Page, Arizona;
6. The Department directs Great Lakes Aviation, Ltd., d/b/a Arizona Airways Express, to retain all books, records, and other source and summary documentation to support subsidy claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination thereof by representatives of the Department. Such documentation shall be retained until the Department indicates that the records may be destroyed or an audit has been completed. Copies of flight logs for aircraft sold or disposed of must be retained; and

³ The ceiling per week will be determined by dividing the annual compensation (\$129,560) by the total number of arrivals and departures (1,023), and multiplying this amount (\$126.65) times the maximum number of subsidy-eligible weekly arrivals and departures (20).

7. The Department will serve copies of this order on the Mayor and Airport Director of Page, Arizona, the Arizona Department of Transportation, SkyWest Airlines and Great Lakes Aviation.

By:

CHARLES A. HUNNICUTT

Assistant Secretary for Aviation
and International Affairs

*An electronic version of this document is available on the World Wide Web at
<http://www.dot.gov/dotinfo/general/orders/aviation.html>*